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TAGS: ETRD, EFIN, ENRG, PFOR, UR, US, XG, COMECON

SUBJ: SOVIET FOREIGN TRADE MINISTER PATOLICHEV ON BOOM IN
SOVIET TRADE WITH WESTERN EUROPE, PROBLEMS IN TRADE
WITH US

1. SUMMARY: A MAJOR ARTICLE IN APRIL 9 PRAVDA BY MINISTER OF FOREIGN TRADE NIKOLAI PATOLICHEV DISCUSSES SOVIET FOREIGN TRADE ACHIEVEMENTS DURING 1974 WHEN TRADE TOTALLED NEARLY 40 BILLION RUBLES (ABOUT DOLS 57 BILLION). MAIN THRUST OF ARTICLE IS THAT TRADE WITH INDUSTRIALIZED WEST, AND PARTICULARLY WITH COUNTRIES OF WESTERN EUROPE, HAS REACHED NEW STATE IN HISTORY OF SOVIET FOREIGN ECONOMIC RELATIONS. BOOM IN TRADE WITH THIS AREA, WHICH NOW ACCOUNTS FOR NEARLY ONE-THIRD OF ALL SOVIET FOREIGN TRADE, HAS BEEN PROMOTED BY DEVELOPMENT OF NEW FORMS OF ECONOMIC COOPERATION--LONG-TERM COOPERATION CONTRACTS, CREDIT AGREEMENTS, AND "COMPENSATION" ARRANGEMENTS INVOLVING EUROPEAN EXPORT OF PLANTS AND INFRASTRUCTURE FOR SOVIET ENERGY AND RAW MATERIALS. AS FOR US, PATOLICHEV ALLEGES GOOD BASIS FOR EXPANSION OF ECONOMIC RELATIONS WAS DEVELOPED DURING PERIOD 1972-74 THROUGH SERIES OF NEW AGREEMENTS AND INCREASED TRADE. HOWEVER, REACTIONARY US CIRCLES ATTEMPTED TO INTERFERE IN SOVIET INTERNAL AFFAIRS THROUGH CONDITIONS ATTACHED TO US TRADE LEGISLATION, MAKING USSR UNABLE TO IMPLEMENT 1972 US-USSR TRADE AGREEMENT. THIS STEP BACKWARDS IN US-SOVIET RELATIONS CAN HARM ONLY THE UNITED STATES AND THE USSR NOW EXPECTS THE US TO TAKE ACTION NECESSARY TO CHANGE SITUATION. OVERALL TONE OF ARTICLE IS TOUGH, INDEPENDENT, SELF-ASSURED AND PATOLICHEV CONCLUDES BY CONTRASTING RECENT GAINS IN SOVIET POLITICAL, ECONOMIC AND DEFENSE POTENTIAL WITH "DEEP CRISIS NOW SHAKING CAPITALIST WORLD." END SUMMARY

2. A LONG ARTICLE IN PRAVDA BY SOVIET FOREIGN TRADE MINISTER PATOLICHEV REVIEWS HIGHLIGHTS OF SOVIET 1974 FOREIGN TRADE PERFORMANCE ON OCCASION OF PUBLICATION OF PRELIMINARY SOVIET 1974 FOREIGN TRADE FIGURES IN NEWSPAPER EKONOMICHESKAYA GAZETA (SEPTEL). NOTING THAT SOVIET FOREIGN TRADE IN 1974 REACHED NEW HIGH OF NEARLY FORTY BILLION RUBLES (US DOLS 57.2 BILLION AT OFFICIAL EXCHANGE RATE OF ONE RUBLE EQUALS US DOLS 1.43), PATOLICHEV DEALS BRIEFLY WITH EXPANSION OF TRADE AND ECONOMIC RELATIONS WITH CEMA COUNTRIES (TOTAL TRADE TURNOVER IN 1974 OF 19.4 BILLION RUBLES) AND WITH DEVELOPING COUNTRIES, AND THEN LIMITED OFFICIAL USE

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URNS TO ECONOMIC RELATIONS WITH DEVELOPED WEST.

3. SOVIET TRADE AND ECONOMIC RELATIONS WITH THE "INDUSTRIALLY DEVELOPED CAPITALIST STATES," ACCORDING TO PATOLICHEV, HAVE NOW REACHED A NEW STAGE. "THE PRINCIPAL POLICY OF THE USSR HERE IS BOTH CONSTRUCTIVE SETTLEMENT OF URGENT INTERNATIONAL PROBLEMS, AND SUPPORT OF NORMAL AND, WHERE CIRCUMSTANCES PERMIT, GOOD RELATIONS, ALTHOUGH WITH FIRM REBUFF FOR THOSE WHO ATTEMPT TO

DICTATE TO US." SINCE USSR HAS TAKEN THIS COURSE, AND ALSO AS A RESULT OF MORE REALISTIC POLICIES WHICH HAVE BEEN TAKEN BY MANY WESTERN STATES, RELATIONS OF SOVIET UNION AND MAJORITY OF FRATERNAL SOCIALIST STATES WITH MAJOR POWERS OF CAPITALIST WORLD HAVE ALREADY ENTERED A MORE OR LESS NORMAL COURSE IN ACCORDANCE WITH PRINCIPLES OF PEACEFUL COEXISTENCE AND MUTUALLY-ADVANTAGEOUS COOPERATION. INDUSTRIALLY DEVELOPED CAPITALIST COUNTRIES ACCOUNTED FOR 31 PERCENT OF SOVIET TRADE IN 1974. DURING FIRST FOUR YEARS OF CURRENT FIVE-YEAR PLAN (1971-74) SOVIET TRADE WITH THESE COUNTRIES HAS INCREASED 2.7 TIMES.

4. PATOLICHEV NOTES THAT ALTHOUGH SOME OF SHARP INCREASE IS DUE TO WESTERN PRICE INFLATION, INCREASED FLOW IN SOVIET TRADE WITH THIS AREA IS OF GREAT SIGNIFICANCE, ESPECIALLY TRADE WITH WESTERN EUROPE WHICH ACCOUNTS FOR THREE-FOURTHS OF ALL SOVIET TRADE WITH INDUSTRIALLY-DEVELOPED COUNTRIES. MUCH OF RAPID GROWTH RATE IS, ACCORDING TO PATOLICHEV, DUE TO EXPANSION OF NEW FORMS OF ECONOMIC COOPERATION. THESE INCLUDE LARGE-SCALE, LONG-TERM COOPERATION CONTRACTS, USUALLY OVER A PERIOD OF TEN YEARS, INTERGOVERNMENTAL AGREEMENTS ON ECONOMIC AND TECHNICAL COOPERATION, COMMERCIAL CONTRACTS FOR DELIVERY OF GOODS OVER PERIODS OF TWENTY YEARS OR MORE, FAVORABLE LONG-TERM CREDITS AND THE INCREASED USE OF "COMPENSATION AGREEMENTS" IN WHICH EUROPEAN FIRMS BUY OR TAKE IN BARTER SOVIET RAW MATERIALS IN EXCHANGE FOR EXPORT OF COMPLETE PLANTS AND INFRASTRUCTURE.

5. DRAMATIC INCREASE IN SOVIET-WEST EUROPEAN TRADE IS FURTHER UNDERLINED BY TABLE SHOWING SOVIET TRADE WITH NINE WEST EUROPEAN COUNTRIES RANKED ON BASIS 1974 TOTAL TRADE TURNOVER (EXPORTS AND IMPORTS). TABLE FOLLOWS:

TRADE OF USSR WITH COUNTRIES OF WESTERN EUROPE
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(MILLIONS OF RUBLES)

	1970	1973	1974
FRG	544	1210	2209
FINLAND	531	777	1540
ITALY	472	614	1137
FRANCE	413	722	941
UK	641	715	890

BELGIUM	149	354	603
NETHERLANDS	223	356	571
SWEDEN	235	232	436
AUSTRIA	155	189	340
TOTAL	3674	5682	9623

6. IN SUBSEQUENT PARAGRAPHS PATOLICHEV REVIEWS RECENT AND FAVORABLE DEVELOPMENTS IN SOVIET ECONOMIC RELATIONS WITH INDIVIDUAL WEST EUROPEAN COUNTRIES. SPECIAL MENTION IS GIVEN TO FINLAND WHOSE TRADE WITH USSR WILL DOUBLE IN NEXT FIVE YEARS ACCORDING TO PLAN, TO FRANCE AND NEW CREDIT AGREEMENTS CONCLUDED DURING BREZHNEV-GISCARD D'ESTAING MEETING IN DEC 1974 AND TO FRG AS LEADING WESTERN TRADING PARTNER WHOSE TRADE WITH USSR HAS INCREASED 400 PERCENT SINCE 1970. UNITED KINGDOM IS MENTIONED AS LAGGING BEHIND BUT WITH INCREASED TEMPO NOW IMMINENT IN WAKE OF RECENT VISIT OF PRIME MINISTER WILSON TO MOSCOW.

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AMEMBASSY PRAGUE
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AMEMBASSY SOFIA
AMEMBASSY STOCKHOLM
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7. FOLLOWING DISCUSSION OF GREAT IMPROVEMENT IN TRADE WITH
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JAPAN, WHOSE TRADE WITH USSR HAS INCREASED 2.6 TIMES IN PERIOD 1971-74 AND AT 1.7 BILLION RUBLES WAS SECOND ONLY TO FRG LAST YEAR, PATOLICHEV DEVOTES THIRD AND LAST CHAPTER OF ARTICLE TO OBVIOUS "LAGGARD" IN CAPITALIST GROUP--THE UNITED STATES. HE REVIEWS IN DETAIL EXTENSIVE EFFORTS AND NUMEROUS ACHIEVEMENTS MADE DURING PERIOD 1972-74 FOR IMPROVEMENT AND DEVELOPMENT OF US-SOVIET ECONOMIC RELATIONS. ALL AGREEMENTS, FROM TRADE AND SHIPPING TO TAXATION AND SCIENTIFIC COOPERATION WERE VIEWED AS EXCELLENT BASIS FOR FURTHER DEVELOPMENT OF TRADE AND ECONOMIC RELATIONS. OTHER ACCOMPLISHMENTS INCLUDED ESTABLISHMENT OF US-USSR JOINT COMMERCIAL COMMISSION AND US-USSR TRADE AND ECONOMIC COUNCIL. TRADE INCREASED 4.8 TIMES DURING PERIOD 1972-74 REACHING TOTAL OF 2.4 BILLION RUBLES AND INCLUDED GREATLY INCREASED RANGE OF COMMODITIES, MANUFACTURES AND CAPITAL EQUIPMENT.

7. UNFORTUNATELY, SAYS PATOLICHEV, "THE RELAXATION OF TENSIONS BETWEEN USSR AND USA CALLS FORTH RESISTENCE OF REPRESENTATIVES OF SOME OF MOST REACTIONARY CIRCLES ACROSS THE OCEAN. IN DEC 1974 NEW LAWS ON TRADE AND STATE EXPORT CREDITS WERE PASSED IN THE USA. THEY MADE EXTENSION OF CREDITS AND MFN TO USSR... DEPENDENT ON ACCEPTANCE BY SOVIET UNION OF CONDITIONS HAVING NOTHING TO DO WITH THE TRADE AND ECONOMIC AREA. THESE ACTS OF AMERICAN CONGRESS WENT CONTRARY TO A BASIC PRINCIPLE OF DETENTE--NON-INTERFERENCE IN INTERNAL AFFAIRS OF STATES, AND, BESIDES THAT, CONTRADICTED PROVISIONS OF TRADE AGREEMENT SIGNED IN 1972 WHICH PROVIDED FOR UNCONDITIONAL EXTENSION OF MFN. QUITE NATURALLY, USSR COULD NOT AGREE TO CARRY OUT ITS

TRADE-ECONOMIC RELATONS WITH USA ON THE BASIS OF STATED LEGISLATION AND CONCLUDED THAT IT WAS NOT POSSIBLE TO PUT THE TRADE AGREEMENT INTO EFFECT."

8. PATOLICHEV CONCLUDES THAT TRADE BILL LEGISLATION WAS OBVIOUSLY A STEP BACKWARDS IN SOVIET-US RELATIONS, AND IN VIEW OF THE GREAT ECONOMIC POTENTIAL OF THE USSR THE EXPANSION OF SOVIET ECONOMIC TIES WITH WESTERN EUROPE AND JAPAN, IT CAN HARM ONLY THE INTERESTS OF THE UNITED STATES ITSELF. AMERICAN BUSINESS AND GOVERNMENT CIRCLES ARE FULLY AWARE OF THIS FACT, AND THE US PUBLIC IS RAPIDLY BECOMING AWARE OF IT. AS FOR THE SOVIET UNION, IT "HAS ALWAYS CONSIDERED THE DEVELOPMENT OF ECONOMIC AND TRADE RELATIONS WITH THE USA ON AN EQUAL, LIMITED OFFICIAL USE

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NON-DISCRIMINATORY BASIS AS AN IMPORTANT ELEMENT IN BUSINESS OF IMPROVING OVERALL SOVIET-AMERICAN RELATIONS, AND WE EXPECT THE AMERICAN SIDE TO TAKE NECESSARY MEASURES TO REPAIR THE EXISTING SITUATION."

9. CONTINUING IN INDEPENDENT, SELF-ASSURED TONE WHICH IS EVIDENT THROUGHOUT ARTICLE, PATOLICHEV CONCLUDES WITH COMMENT THAT DURING THE NINTH FIVE-YEAR PLAN THE USSR HAS ACHIEVED GREAT RESULTS IN STRENGTHENING ITS POLITICAL, ECONOMIC AND DEFENSE POTENTIAL AND ALSO ITS POSITION IN ECONOMIC COMPETITION WITH CAPITALISM. THIS SUCCESS CONTRASTS STRONGLY WITH DEEP CRISIS NOW SHAKING WORLD OF CAPITALISM. "OF COURSE, ECONOMIC TIES WITH SOCIALIST STATES CAN NOT...CURE THE HEREDITARY ILLS OF CAPITALIST WORLD"BUT THERE ARE EXAMPLES IN HISTORY WHEN ECONOMIC COOPERATION WITH THE USSR HAS ENSURED FULLER USE OF INDUSTRIAL CAPACITY AND EASED THE PROBLEM OF UNEMPLOYMENT.

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